

Testimony Submitted before the Insurance Committee
March 13, 2012

HB 5487: AAC Recommendations of the Small Business Healthcare Working Group

Good morning Senator Crisco, Representative Megna and members of the Insurance Committee. My name is Marghie Giuliano. I am a pharmacist and Executive Vice President of the Connecticut Pharmacists Association, a professional organization representing close to 1,000 pharmacists in the state.

I am here today to express concern with certain components of HB 5487: An Act Concerning Recommendations of the Small Business Healthcare Working Group.

First, we would like to go on record by stating that pharmacists support all efforts to lower health care costs. We are also not opposed to the concept of health pooling, but are opposed to allowing any additional entities to enroll in the state's mandatory prescription mail order plan. Health care cost savings should not be at the expense of local pharmacies which have a long and solid reputation of serving their patients.

Following the recommendations from the working group being made public, we took our concerns to the Speaker's office. They have pledged to work with us to address our concerns on this bill, and will also continue to work with legislators to rectify the state employee prescription mail order contract that has had such a negative impact on independent pharmacies statewide.

As you know, pharmacists have been extremely outspoken regarding the adverse impact that the state employee prescription plan is having on their businesses. Their customers have also written numerous letters to the Comptroller, legislators and to legislative leadership regarding this issue.

While state employees reside in every town, they are not heavily clustered in any one town. That is why some of the pharmacies accepted the state employee plan. Expanding this plan to include additional entities will turn the key for many small pharmacies. The degree that this will impact their already tenuous business viability is not able to be calculated at this time.

Currently, of the pharmacies that accept the state employee prescription benefit, only 20 of them are independent pharmacies. The others are CVS or grocery store pharmacies and big box stores like WalMart where prescriptions are treated like coupons to get people into their stores. Even Walgreens and Rite Aid rejected the reimbursement offered by their competitor CVS/Caremark.

The driving force behind our continued concern remains the reimbursement that is being offered to the pharmacies by CVS/Caremark. Independent pharmacies do not have the same advantages in the distribution system that the chain pharmacies have. Drugs come from manufacturers and

are sent to wholesalers and then to the pharmacy. At each distribution point there is an added layer of cost incurred that gets passed on to the pharmacy purchasing the drugs. Chain pharmacies are so large that they own their own wholesalers. So, they avoid one layer of these additional costs entirely.

The reimbursement that CVS/Caremark is offering to other pharmacies as part of the state employee prescription plan is so low that it is even prohibitive to the chains that do not own a mail order company such as Rite Aid and Walgreens. No community pharmacy can afford to do business at this price.

The fallout from the state employee plan is just starting to be felt. Now that a full 90-day cycle has been completed, pharmacies are evaluating the impact this has had on their business and it is my understanding that a couple of pharmacies have decided to sell/close their stores.

Pharmacies that have lost their state employee business are surviving thanks to the fact that Walgreens ended their relationship with Express Scripts. The movement of prescriptions from Walgreens to the independents has helped them through this difficult period – **but it is not the solution.**

We respectfully request the following:

1. Before any thought of offering this plan to others is considered, the state actually take a look and see what kind of savings have been elicited from the state employee health plan to date. It has been in effect since October 1, 2011.
2. While we appreciate the fact that the administration allows the pharmacies the choice to participate in the state employee plan, we ask that before this plan is expanded and offered to others, **a fair reimbursement is negotiated by the State in collaboration with the CPA, and with CVS/Caremark, and offered to the independent pharmacies** so they may compete in an equitable playing field and continue to serve their communities.

Thank you for your continued attention to the very important issue of quality health care and patient access.